

Briefing on the NHS productivity challenge

NHS Providers is the membership organisation for the NHS hospital, mental health, community and ambulance services that treat patients and service users in the NHS. We help those NHS foundation trusts and trusts to deliver high-quality, patient-focused care by enabling them to learn from each other, acting as their public voice and helping shape the system in which they operate. NHS Providers has all trusts in England in voluntary membership, collectively accounting for £124bn of annual expenditure and employing 1.5 million people.

Member survey on productivity

In May 2024, we surveyed trust chief executives and finance directors, gathering their views on various finance-related topics, including NHS productivity. We received responses from 114 trusts, representing over half (55%) of the provider sector (209 trusts) across all regions and trust types in England.

Key findings

- 1** The three factors that respondents said presented the biggest challenges to increasing productivity were: delayed discharges and disruptions to patient flow (48%); lack of revenue funding growth compared to rising demand (38%); and increased patient acuity and complexity (37%).
- 2** The top three initiatives that respondents were most likely to say have had a major impact on increasing productivity growth within their organisation in 2023/24 were: reducing agency spend (55%); workforce initiatives focused on staff retention or changing skill mix (53%); implementing new models of care and pathway improvements (e.g. virtual wards) (50%).
- 3** Trust leaders have mixed views on the deliverability of the national target of achieving 1.9% annual productivity growth from 2025/26 to 2029/30. Several trusts noted that the target was challenging, but achievable. Other trusts highlighted that substantially improving productivity levels would only be possible with targeted investment in tackling the enablers of productivity growth, including investment in capital and digital technologies.
- 4** Over half (57%) of respondents said that estate related issues were severely (9%) or significantly (48%) impacting their ability to deliver improved productivity levels.
- 5** 53% of respondents said it would be difficult (35%) or extremely difficult (18%) for their system to live within the agency spend limits for 2024/25 as set out by NHS England in the operational planning guidance.

- 6 85% of respondents strongly disagreed (39%) or disagreed (46%) that their trust had sufficient resources to tackle health inequalities.
- 7 No trusts agreed or strongly agreed with the statement 'your trust has sufficient funding to invest in prevention and help manage future demand growth'; 94% of respondents disagreed (34%) or strongly disagreed (60%) with this statement.

Comments from trusts leaders

What is your view of the national target of 1.9% annual productivity growth from 2025/26 to 2029/30?

- “It is a reasonable ask. But difficult when we have less funding this year compared to last, and no new money to invest in productivity schemes” - Combined acute and community trust chief executive
- “Without capital investment it is very hard to see how this level can be sustained for year after year. There is clearly room for more productivity improvements, but this level seems ambitious” - Acute trust chief executive
- “Given the increasing demand pressures and limited access to capital, transformation and productivity will be a significant challenge to deliver year on year” - Combined acute and community trust finance director
- “Without a significant increase in targeted capital investment in mental, community and primary care, it won't happen” - Combined mental health/learning disability and community trust finance director
- “Challenging in the mental health sector; I would think achievable for first year or two but then scope will diminish” - Combined mental health/learning disability and community trust finance director
- “Realistic and achievable” - Combined acute and community chief executive

Background

The Office for National Statistics measures NHS productivity by comparing the growth in the number of inputs (e.g. staff, clinical supplies) to the growth in the number of outputs (e.g. activity delivered (surgical procedures, consultations etc.)). The most recent data published by the Office for National Statistics shows that quality-adjusted healthcare productivity was 6.6% lower over the 2021/22 financial year than the 2019/20 financial year (ONS, 2024). Essentially, the NHS is not as productive as it was before the pandemic.

Further research carried out by numerous think tanks and NHS England itself also determines that the NHS is not recovering to pre-pandemic levels of productivity as quickly as expected. The pandemic significantly disrupted the NHS, worsening existing challenges. Pre-pandemic the NHS delivered productivity at a faster pace than the rest of the public sector and the wider economy. According to the Office for National Statistics, healthcare productivity

adjusted for quality was 6.6% lower in the 2021/22 financial year compared to 2019/20 (ONS, 2024). The Institute for Fiscal Studies found that despite the NHS having more staff and more resources than it did before the pandemic, there hasn't been a corresponding increase in activity levels (Warner & Zaranko, 2023). Furthermore, NHS England's own estimation of the acute sector productivity gap is that productivity is approximately 11% lower than pre-pandemic levels (NHS England, 2024a).

In March's Spring Budget, the previous government announced an additional £3.4bn of funding on digital transformation over three years from 2025/26 to unlock a proposed £35bn in cumulative productivity savings before 2030 (HM Treasury, 2024). Following the Spring Budget, NHS England committed to publishing a productivity plan and metrics in summer 2024, targeting an average productivity growth of 1.9% until 2029/30. This ambitious target aligns with the NHS Long Term Workforce Plan's upper range and represents a significant increase from historical productivity growth (NHS England, 2023a).

In the past year, hospital activity has grown at a quicker pace than staffing levels, indicating a boost in hospital labour productivity (Harvey-Rich et al, 2024). This includes a 10% rise in elective admissions, a 9% increase in outpatient appointments, and an 8% boost in diagnostic tests (Harvey-Rich et al, 2024). A recent NHS England board meeting noted that acute sector productivity has grown by 2.8% compared to 2023/24, with overall workforce levels decreasing by 1.2% since the start of the year (NHS England, 2024b). However, despite good progress being made in a number of areas, significant backlogs remain across all services.

Barriers to productivity growth

Our recent survey asked trust chief executives and finance directors to outline the factors that were proving to be the biggest challenges to increasing productivity levels. We explore each of the most common barriers identified by trust leaders in turn below:

Delayed discharges and disruptions to patient flow (48% identify this as a challenge)

Trust leaders have been clear that one of the biggest barriers limiting their ability to improve productivity levels has been the challenges in discharging patients who no longer have a criteria to reside in hospital. In October 2024, on average, there were over 22,000 patients who no longer met the criteria to reside in hospital. This places an obvious strain on the flow of patients moving through hospital, often causing significant constrictions on bed capacity and leaving trusts with little ability to ramp up activity levels on elective pathways.

Improving the flow of patients in and out of hospital is a vital component to delivering increased productivity levels. Trusts recognise there are a variety of factors which have held up patients from being discharged from hospitals, including issues with internal discharge

processes. Research conducted by the Nuffield Trust highlights that the most frequent reason for delays to patients being discharged from hospital was waiting for further support packages to be made available at home - typically organised either by NHS community services or through adult social care (Nuffield Trust, 2023). Trusts are concerned about the lack of capacity in the social care sector to keep people well at home and ensure timely discharge, with delays to social care assessments limiting trusts' ability to free up bed capacity and lengthening patients' stay in hospitals.

Lack of revenue funding growth vs rising demand (38% identify this as a challenge)

From 2010 onwards, the NHS went through the most prolonged financial squeeze in its history. The average annual increase in funding for healthcare between 1949/50 and 2019/20 was 3.7%. However, between 2009/10 and 2019/20 average real terms growth in health spending was 1.6% - the lowest average rise in health spending since the NHS was founded in 1948 (Health Foundation, 2021). At the October 2021 Spending Review, the government set departmental budgets up to the end of 2024/25. At the time the Spending Review was held, departmental budgets would grow by an average real terms increase of 3.8% per year. However, wider economic turbulence coupled with higher inflation significantly eroded the value of budgets set at the 2021 Spending Review, meaning NHS revenue budgets did not increase in real terms as much as originally projected.

Meanwhile, the Office for National Statistics estimates that the population of England will reach 62 million by 2034, with the number of people over 65 increasing from 11 million to 13 million over that same period (Rocks et al, 2024). As a result of ever-changing demographics, the NHS will be absorbing a considerable amount of pressure over the forthcoming decade. Demand for NHS services will inevitably increase and will stretch the health service to its limit should it not be adequately supported to tackle that demand. Flat real-terms funding growth will not be sufficient to help place NHS finances on a sustainable path. The Autumn 2024 Budget marked an important first step in returning the NHS back towards financial stability, with government providing a 4% average real-terms growth in NHS revenue spending to the end of 2025/26.

Increased patient acuity and complexity (37% identify this as a challenge)

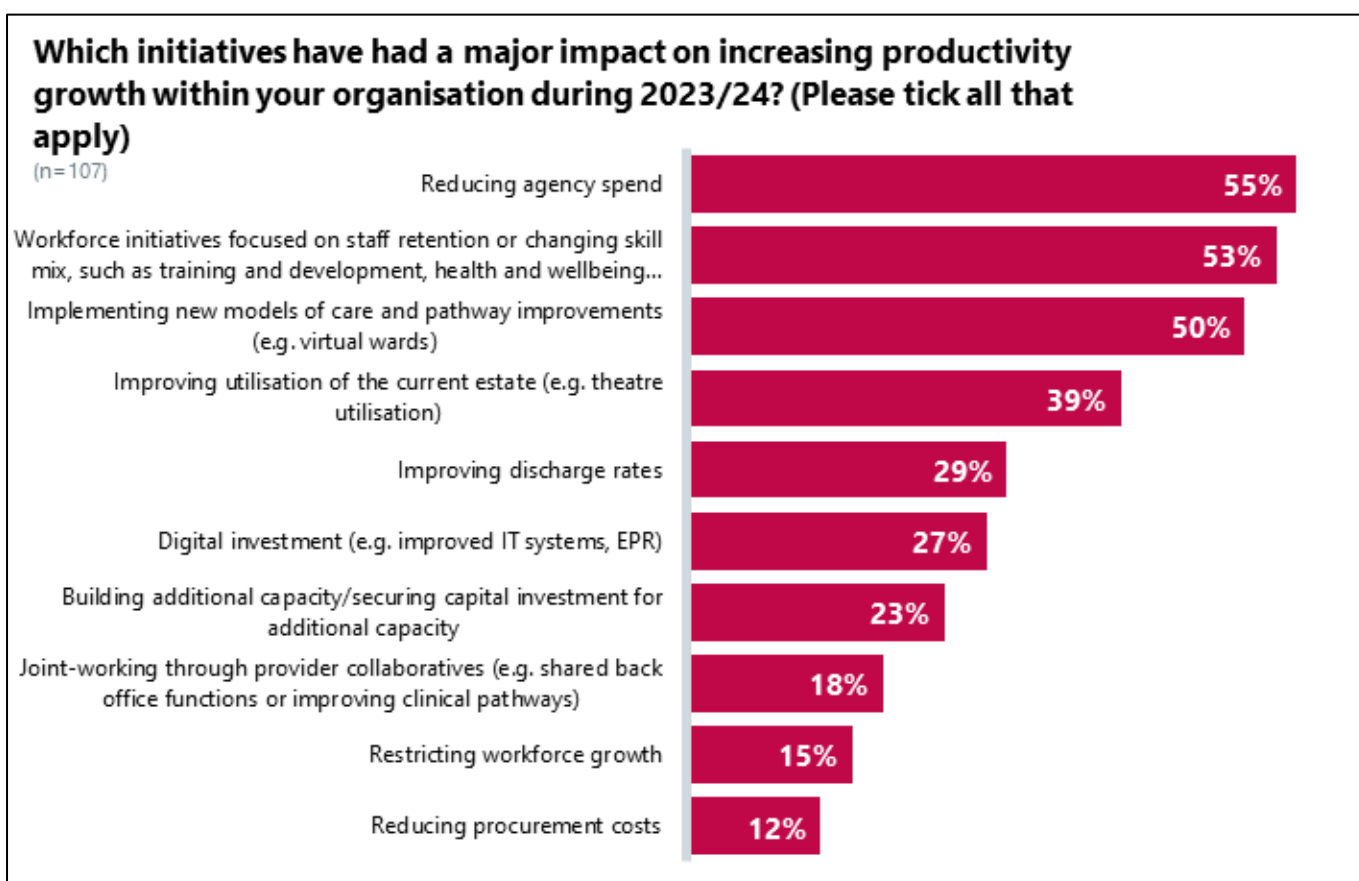
The average length of stay (ALOS) for non-elective inpatients has increased during the pandemic, with patients now spending an average of 8.3 days in hospital compared to 7.3 days in 2019 (Mooney et al, 2023). Trust leaders have highlighted that they are seeing a sustained increase in patient acuity since the pandemic, often seeing patients who are sicker and presenting with more complex conditions, requiring more resources and staff time to deliver their care.

Staff sickness, burnout and low morale (28% identify this as a challenge)

The pandemic had a seriously detrimental impact on NHS staff. The most recent NHS staff survey results revealed that 42.7% of staff often or always feel worn out at the end of their shift, and 30.4% feel burnt out due to their work (NHS England, 2024c). While it is difficult to quantify the effect of burnout and low morale on NHS productivity levels, it would be fair to assume that a tired and pressurised workforce is not conducive to increased productivity growth. Relentless operational pressures can clearly have an adverse impact on the discretionary effort that staff are willing to make and impact the health service’s ability to return to pre-pandemic levels of productivity.

What initiatives have had a positive impact on increasing productivity growth?

Trusts are firmly focused on improving their productivity levels within a challenging financial and operational context. Our survey asked trust leaders to identify initiatives that have had a major impact on increasing productivity growth within their organisations during the preceding financial year.



- **Reducing agency spend** - Trusts have been working incredibly hard to reduce their reliance on temporary staffing, especially more-expensive agency staff. National spending on agency staffing is now at its lowest since 2017 (2.7% of total pay costs) and is on track to be reduced by a further £500m over the course of the 2024/25 financial year.
- **Workforce initiatives to improve staff retention** - Trusts are prioritising introducing targeted initiatives to help improve the health and wellbeing of their staff. This will be key to both improving staff retention levels, as well as fostering greater productivity levels.
- **Implementing new models of care and pathway improvements** - Trusts are continually developing alternative models of care to enable faster discharge from hospital and extend care out of acute settings into the community. For example, a number of trusts continue to use virtual wards to monitor patients at home rather than admitting them into hospital, helping trusts to effectively manage clinical risk and bed capacity appropriately.
- **Improving utilisation of the current estate** - Trusts have been exploring ways to reconfigure their estates to include greater segregation between elective and emergency care. In an attempt to reduce exposure to demand pressures which can disrupt planned elective activity, trusts have established a number of surgical hubs and elective wards to ensure that routine procedures can proceed all-year round, with minimal disruption from wider pressures to urgent and emergency care pathways.
- **Improving discharge rates** - Research published by the Nuffield Trust outlines that just under a quarter of the patients in hospital with no criteria to reside are delayed as a result of internal discharge procedures. Trusts are introducing a number of measures locally to streamline discharge procedures and collaborate with system partners to better enable prompt discharges from hospitals.

In addition to the survey findings set out above, our recent *Providers Deliver: achieving value for money* report outlined a number of local initiatives designed by trusts to provide better care and value for money. The report sets out positive examples of how trusts are working hard to improve productivity levels within a challenging environment. Key themes from the report include:

- **Taking a holistic approach to improving productivity** - Prioritising improvements to patient care also pays dividends for improving productivity. This case study explores the benefits of a value-based approach to productivity that allocates resources more effectively to improve outcomes for patients.
- **Collaborating to tackle shared challenges** - This case study identifies two examples at one trust where collaboration has improved data-sharing and benchmarking across trust networks, enabling local trusts to tackle their waiting lists more effectively.
- **Digital tools to free up staff time** - This case study demonstrates how equipping staff with the right tools will allow them to spend more time on delivering care rather than on administrative processes.

- **Improving whole-system productivity** - This case study highlights why it is important to adopt a whole-system approach to productivity - as costs incurred by one trust may pay productivity dividends elsewhere throughout the wider health system.
- **Incentivising staff to help tackle waiting lists** - This case study explores the introduction of a bespoke payment model for staff at one trust designed to help incentivise staff to tackle care backlogs.

Further resources

Previously published briefings can be found below:

[Briefing on NHS capital funding](#)

[Briefing on the financial challenges facing NHS trusts](#)

If you have any questions regarding any of the material within this briefing, please contact Sandy Cook (sandy.cook@nhsproviders.org).